

**BEFORE THE DIVISION OF INSURANCE**

**STATE OF COLORADO**

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**FINAL AGENCY ORDER O-06-153**

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**IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF  
NEIGHBORHOOD TITLE SERVICES, LLC**

**Respondent**

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**THIS MATTER** comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") of Neighborhood Title Services, LLC (the "Respondent"), pursuant to §§ 10-1-201 to 207, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated January 6, 2006 (the "Report"), relevant examiner work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

**FINDINGS OF FACT**

1. At all relevant times, the Respondent was a limited liability company licensed by the Division to conduct the business of title insurance.
2. In accordance with §§ 10-1-201 to 207, C.R.S., on January 6, 2006, the Division completed a market conduct examination of the Respondent. The period of examination was agency inception to July 31, 2005.
3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.
4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners and the Colorado insurance examiners handbook. The Commissioner also employed other guidelines and procedures that he deemed appropriate, pursuant to § 10-1-204(1), C.R.S.

5. The market conduct examiners prepared the Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the Respondent, its agents or other persons examined, or as ascertained from the testimony of the Respondent's officers or agents or other persons examined concerning Respondent's affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.
6. The Commissioner has fully considered and reviewed the Report, any and all of Respondent's submissions and rebuttals, and all relevant portions of the examiner's work papers.

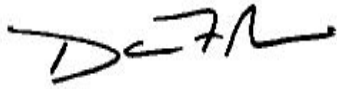
### **CONCLUSIONS OF LAW AND ORDER**

7. Unless expressly modified in this Final Agency Order (the "Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the Report. A copy of the Report is attached to the Order and is incorporated by reference.
8. Issue 1 concerns the following violation of Division of Insurance regulation 1-1-8: Failure, in some instances, to provide a timely and/or complete response to an examiner inquiry. Respondent shall provide evidence that it has revised its procedures to ensure that complete and timely responses are received to all Division inquiries.
9. Issue 2 concerns the following violation of § 10-2-704, C.R.S. and Division of Insurance regulation 1-2-1: Failure to maintain a separate trust account to hold premiums to be remitted to the insurer. Respondent shall provide evidence that it has revised its procedures, including opening a designated trust bank account, to ensure that premiums being held for remittance to the insurer are held in a trust capacity as required by Colorado insurance law. Additionally, Respondent shall provide evidence, in the form of an affidavit, that it has reviewed and understands section eight (8) of revised regulation 3-5-1 concerning rules regarding fiduciary duties.
10. Issue 3 concerns the following violation of §§ 10-11-102 and 10-11-108, C.R.S., Division of Insurance regulation 3-5-1, 24 U.S.C. 27 § 607 (2002), 24 C.F.R. § 3500.14 (2004) and 24 C.R.F. § 3500.15 (2004): Creating and operating an affiliated business arrangement as a means to obscure kickbacks in violation of Colorado insurance law. Respondent shall provide evidence that it has revised its agency structure and procedures to ensure that it is not in violation of the cited laws, including providing evidence that the agency has capitalized in a manner typical in the industry and established a verifiable business location and employed staff to conduct core services. Respondent shall also provide evidence that there are no shared employees, that there is a licensed title agent in the business

location, and that the agency is not collecting premiums for services being provided by an affiliated business or other entity.

11. Issue 4 concerns the following violation of § 10-2-402, C.R.S.: Failure to notify the Commissioner of a change of address. Respondent shall provide evidence to the Division that it has updated the Division's records to reflect its correct mailing and location addresses.
12. Pursuant to § 10-1-205(3)(d), C.R.S., Respondent shall pay a civil penalty to the Division in the amount of nineteen thousand six hundred and 00/100 dollars (\$19,600.00) for the cited violations of Colorado law. This fine was calculated in accordance with Division guidelines for assessing penalties and fines, including Division bulletin no. 1-98, issued on January 1, 1998.
13. Pursuant to § 10-1-205(4)(a), C.R.S., within sixty (60) days of the date of this Order, the Respondent shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.
14. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Respondent shall submit written evidence of compliance with all requirements to the Division within the thirty (30) day time frame, except where Respondent has already complied, as specifically noted in the Order. Copies of any rate and form filings shall be provided to the rate and forms section with evidence of the filings sent to the market conduct section. All audit reports shall be performed in accordance with Division guidelines. Unless otherwise specified in this Order, all audit reports must be received within ninety (90) days of the Order, with a summary of the findings, including all monetary payments to covered persons.
15. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondent not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by the Respondent to comply with the terms of this Order may result in additional actions, penalties and sanctions, as provided for by law.
16. Copies of the examination report, the Respondent's response, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

**WHEREFORE:** It is hereby ordered that the findings and conclusions contained in the final examination Report dated January 6, 2006, are hereby adopted and filed and made an official record of this office and the above Order is hereby approved this 2nd day of March, 2006.

A handwritten signature in black ink, appearing to read 'D-F-R', with a horizontal line extending from the end of the signature.

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David F. Rivera  
Commissioner of Insurance

CERTIFICATE OF MAILING

I hereby certify that on the 3rd day of March, 2006, I caused to be deposited the **FINAL AGENCY ORDER No. O-06-153 IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF NEIGHBORHOOD TITLE SERVICES, LLC** in the United States  
Mail via certified mailing with proper postage affixed and addressed to:

Douglas P. Farr, Owner  
Neighborhood Financial Services, LLC, Owner  
Neighborhood Title Services, LLC  
6350 West 92<sup>nd</sup> Avenue, Unit 150  
Westminster, Colorado 80031

A handwritten signature in black ink, reading "Dolores Arrington". The signature is written in a cursive, flowing style.

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Dolores Arrington, AIE, AIRC, ACS, MA  
Division of Insurance  
Market Conduct